

FY 2010-2011 Proposed Budget

**Asheville City Council Budget Worksession
April 27, 2010**



Review: March 23 Budget Worksession



General Fund Initial Forecast - \$5.1M Gap

- Flat revenues
- Loss of Transit funding
- Inflation in operating and health care costs
- COLA for employees of 2%
- No fund balance use

Increase for State pension - \$5.75M Gap

Review: March 23 Budget Worksession



Expense Reductions/Managed Savings - \$2.3M

- Reduce overtime, temp services, contracts and other line items
- Savings from expired annexation agreements

Expense Reductions/Service Impacts - \$1.5M

- Re-engineer Brush Collection
- Reduce hours at community centers
- Reduce Outside Agency funding
- Cost-sharing for Co-sponsored Events

Revenue Enhancements - \$825,000

- Fees and Charges - \$200,000
- Parking Fund recurring transfer - \$125,000
- Parking Fund one-time transfer - \$500,000

Adjusted Budget Gap as of March 23 - \$1M

Budget Balancing Summary



Strategy	Revenue	Savings	% of Budget Gap
Fees and Charges Adjustments	\$200,000		3.48%
Parking Fund Transfer	\$625,000		10.87%
Selective Vacancy Freeze		\$878,000	15.27%
Managed Savings & Re-engineering		\$2,293,000	39.88%
Employee Compensation		\$340,000	5.91%
Healthcare Benefits		\$300,000	5.22%
Service Reductions		\$1,114,000	19.37%
Total	\$825,000	\$4,925,000	100%

Revenues



- Fees and Charges - \$200,000
- Parking Fund Transfer - \$625,000
 - \$125,000 in revenue to offset increases in cost of transit service
 - \$500,000 from parking fund reserves to offset the loss of federal funding
- No fund balance appropriation
- No tax rate increase
- **Total Revenue Increase = \$825,000**

Expenditures: Selective Hiring Freeze



- Actively manage vacancies to fill only essential positions
 - Includes equivalent of 15 management and development review positions
 - Examples: Assistant Transportation Director, Superintendent of Recreation, Budget Research Analyst, CEO Supervisor, etc.
 - Does not include public safety positions or Public Works field positions
- **Total Savings from Selective Hiring Freeze = \$878,000**

Expenditures: Managed Savings



- **Includes savings from line items and re-engineering**
 - Reduce overtime, temp services, and contracts
 - Reduce training, printing, other line items
 - Savings from expired annexation agreements
 - Fire Department Vacation Deferral Program resulting in overtime savings
 - Re-engineering of street patching through Street Cut Enterprise Fund
- **Total Managed Savings = \$2,237,000**



Expenditures: Employee Compensation

- Original budget projections included a \$500,000 compensation pool for cost of living adjustment
- Across-the-board cost of living adjustment would have required layoffs or furloughs for funding
- FY 2010-2011 budget proposal includes funding for a \$300 pay supplement for all full-time employees who earn \$41,722 (area median income) or less
 - Total cost of the pay supplement is \$190,000
 - **Net savings from proposed compensation package = \$340,000**

Health Care: Current Year



- Expenditures are expected to exceed original budget estimates by \$2.5 million
 - 25% increase in claims costs in 2009
- Revenues are projected to exceed budget by \$800,000
- Staff is recommending a budget amendment to adjust health care budget
 - \$1.7 million from insurance fund reserves
 - \$800,000 in additional revenue
- Strategies to reduce health care costs in FY 2010-2011
 - Creation of a Blue Ribbon Task Force on Health Care

Expenditures: Healthcare Benefits



- **In the FY 2010-2011 budget, staff is proposing changes to the city's healthcare plan to address a trend of rising expenditures, including:**
 - Changes to employee premiums and benefits
 - Changes to employee prescription drug benefits
 - Conducting a dependent audit
 - Implementing a wellness program for all employees
 - Increasing accountability of Asheville Project participants
 - Initiating a Blue Ribbon Committee on Healthcare
- **Total Savings from Healthcare Changes = \$300,000**

Expenditures: Healthcare Benefits



- **Healthcare Benefit Changes**
 - 5% increase to premiums
 - Increases in co-payments for primary care, specialists, ER and urgent care visits
- **Plan Changes – “High” Option**
 - Implementation of a \$300 deductible
 - Introduction of 90/10 co-insurance, where employees are responsible for 10% of the cost of services
 - Maximum annual out-of-pocket for co-insurance set at \$500 for individuals, \$1000 for families

Expenditures: Healthcare Benefits



- Staff is seeking Council consensus approval on FY 2010-11 Healthcare Program changes today
- Council approval of creation of Blue Ribbon Task Force on Health Care and current year budget amendment at formal meeting
- Open enrollment for employees to take place in mid-May
 - Opportunity to inform and educate employees about program changes

Expenditures: Service Reductions



- **Reduction in Community Center hours**
 - Programs will be rescheduled and managed by full-time staff or discontinued
 - Reduction in part-time and temporary staff
- **Evening transit service optimization**
 - The gap between daytime and evening transit service will be closed and evening service will stop at 10:30 p.m.
 - Discontinue evening service on the least utilized route (affects a daily ridership of about 45 people)

Expenditures: Service Reductions



- **On-demand Brush Collection**
 - Brush will be collected once per month
 - Later in the year, the city will launch on demand collection that can be scheduled by request via telephone or Web site
- **Reduction in Outside Agency funding**
 - 20% reduction in total Outside Agency allocation (\$40,000 savings)
- **Total Savings from service reductions = \$1,114,000**

Capital Improvement Program



Funding:

General Fund Transfer	7,867,222
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Minus:

Existing Debt Service	5,204,922
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McCormick Field Contract	35,000
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Annual Paving Program	752,300
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Annual Sidewalk Maintenance	200,000
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Civic Center Allocation	250,000
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Parks & Recreation Allocation	500,000
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Total	6,942,222
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Discretionary Funding	925,000
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Capital Improvement Program



Discretionary Funding	925,000
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Projects:

Police Vehicles	300,000
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Fire Ladder*	227,000
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Public Works Vehicles	205,000
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BTIP/ITS Security	100,000
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Traffic Safety Improvements	35,000
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Additional Building Maintenance	58,000
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Total Discretionary Funding	925,000
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* \$227,000 is the estimated debt service; the purchase price is \$1.2 million

Capital Improvement Program



Sullivan Act Capital Infrastructure Projects:

– FY 2009-10 Transfer:	\$1,657,481
– <u>FY 2010-11 Transfer:</u>	<u>\$341,000</u>
– TOTAL FUNDING:	\$1,998,481
– Azalea Road Improvements:	\$1,998,481

Budget Goals



- Address structural issues within the city's budget so that Asheville can continue to achieve long-term fiscal stability (*Asheville 2010: A Financial Crossroads*).
- Maintain the current tax rate to support financial stability for Asheville families and businesses.
- Continue to support our workforce as well as the stability of the region's economy by avoiding layoffs, salary cuts, and furloughs (unpaid time off).
- Align resources with strategic planning and core services while minimizing service reductions to other areas.

Next Steps



- City Council Budget work session April 27
 - Consideration of Healthcare Program changes
- Proposed budget scheduled for presentation to City Council on May 11
- Budget work session May 25
- Budget public hearing June 15
- Budget adoption June 22